United Nations A/63/620

General Assembly

Distr.: General
17 December 2008

Original: English

Sixty-third session
Agenda item 118
Programme budget for the biennium 2008-2009

First performance report on the programme budget for the biennium 2008-2009

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the first performance report of the Secretary-General on the programme budget for the biennium 2008-2009 (A/63/573). During its consideration of the report, the Committee met with representatives of the Secretary-General, who provided additional information and clarification.

2. The first performance report on the programme budget for the biennium 2008-2009 reflects adjustments required owing to variations in the rates of inflation and exchange and in standards assumed in the calculation of the initial appropriations. The report also takes into account the additional mandates that the General Assembly and the Security Council have approved since the appropriation of the programme budget and unforeseen and extraordinary items that could not be deferred to the second year of the biennium.

3. Paragraphs 35 to 43 of the report deal with the limited discretion of the Secretary-General for budgetary implementation authorized in General Assembly resolution 60/283. The Advisory Committee recalls that the Secretary-General was authorized, on an experimental basis, limited discretion for the bienniums 2006-2007 and 2008-2009 to enter into commitments of up to $20 million in each biennium for positions and non-post requirements for the purpose of meeting the evolving needs of the Organization in attaining its mandated programmes and activities (see resolution 60/283, sect. III, para. 6). As indicated in paragraph 36 of the first performance report, during the biennium 2008-2009, the Secretary-General utilized his limited discretion for budgetary implementation to address the continued funding of a dedicated project team to maintain the momentum and ensure the progress on major foundation tasks relating to the enterprise resource planning system ($3,484,800) and to operational preparedness and business continuity in a protracted human influenza pandemic crisis ($2,422,200). Those requirements were met through the utilization of potential savings identified under section 2, General

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Assembly and Economic and Social Council affairs and conference management, section 23, Human rights, and section 27, Public information.

4. The Advisory Committee recalls that in connection with the use of the limited discretion of the Secretary-General for budgetary implementation, it expressed the view that criteria for funding the evolving needs of the Organization should be worked out so as to ensure that the mechanism for financing such needs can be put in place (see A/61/635, para. 10). Upon enquiry, the Committee was informed that the modalities for the Secretary-General's use of limited discretion were discussed and approved by the Management Committee in September 2006. Annex I below contains further information on this issue which was provided to the Committee upon request.

5. The performance report also includes information on restructuring of the Office of Human Resources Management (see A/63/573, paras. 44-47). The organizational changes in the structure of the Office have also been reported by the Secretary-General in his report on human resources management (see A/63/282, paras. 15 and 16). The Committee's comments, observations and recommendations on that report are contained in document A/63/526 and Corr.1. In his first performance report, the Secretary-General indicates that there will be no changes in post and non-post resource requirements under section 28C, Office of Human Resources Management, for the biennium 2008-2009 that would result from the proposed restructuring of the Office. **The Advisory Committee is of the view that as a document describing parameter changes, the first performance report should not deal, in principle, with issues such as the restructuring of the Secretariat. The Committee reiterates its view that the content of the first performance report should be limited to the parameters endorsed by the Assembly (see A/61/635, para. 3).**

6. The revised requirements under the expenditure sections amount to $4,388.4 million, an increase of $180.8 million, or 4.3 per cent, over the appropriation level of $4,207.6 million approved in General Assembly resolutions 62/237 A and 62/245. The revised income estimates for the biennium amount to $526.9 million, an increase of $6.8 million, or 1.3 per cent, over the initial estimate of $520.1 million. Consequently, revised net requirements amount to $3,861.5 million, an increase of $174.0 million, or 4.7 per cent, over the appropriated net requirements of $3,687.5 million.

7. The Advisory Committee notes that revised estimates and statements of programme budget implications in response to draft resolutions under current consideration are not included in the report of the Secretary-General (A/63/573). Upon enquiry, the Advisory Committee was informed that additional requirements for the biennium 2008-2009 not included in the first performance report would amount to some $8.7 million. These reflect requests contained in revised estimates and statements of programme budget implications submitted in response to draft resolutions considered by the Main Committees. If approved, this would bring the total revised requirements for the biennium 2008-2009 to $4,397.1 million.

8. Upon enquiry, the Advisory Committee was informed of the status of the contingency fund for the biennium 2008-2009 (see annex II). The level of the contingency fund was approved by the General Assembly in its resolution 61/254 in the amount of $31.5 million. The balance of the fund after the main part of the sixty-second session was $12.2 million. The Committee was informed that proposals

amounting to a total of $8.7 million were being considered by the General Assembly at its current session that would be charged to the contingency fund.

9. As can be seen from the table in paragraph 5 of the performance report, the increase of $180,793,600 in expenditures reflects the impact of the following:

(a) Additional requirements of $1,359,200 under unforeseen and extraordinary expenses in respect of peace and security ($1,159,200) and the International Court of Justice ($200,000);

(b) Additional requirements of $63,015,000 resulting from changes in exchange rates;

(c) Additional requirements of $103,819,200 due to changes in inflation assumptions;

(d) Additional requirements of $6,620,300 due to adjustments to standard salary costs;

(e) Additional requirements of $5,979,900 due to adjustments related to vacancy rates.

10. Regarding the additional requirement of $1,159,200 related to unforeseen and extraordinary expenses in respect of peace and security, the Advisory Committee requested additional information on the current status of the timeline of the work of the African Union-United Nations Panel established pursuant to Security Council resolution 1809 (2008). The Committee also enquired as to the funding mechanism for the activities of the newly appointed Special Envoy of the Secretary-General for the Great Lakes region. Information provided in response to the Committee's request is contained in annex III below.

11. The Advisory Committee enquired as to the current recosting methodology used by the Secretariat. Information provided to the Committee on this matter is contained in annex IV below. **The Committee urges the Secretariat in future to continue working closely with the International Civil Service Commission with a view to providing for full recosting on the basis of more up-to-date data. The Committee also recommends that the Secretary-General explore recosting methodologies used by other international organizations.**

12. With regard to the additional requirements of $63,015,000 resulting from changes in exchange rates, the Advisory Committee notes from annex I.B to the performance report that those requirements are due to the general weakening of the United States dollar during the year to date, and in particular in relation to the Swiss franc. The assumption for the biennium 2008-2009 was 1.200 Swiss francs to the dollar. The actual average rate experienced through October 2008 was 1.079 Swiss francs to the dollar. For November onward, the November rate of 1.14 Swiss francs to the dollar is used in the performance report, as indicated in schedule 3. Additional requirements related to exchange rate fluctuations for Geneva are, on this basis, estimated at $71.2 million, as indicated in annex I.B to the report.

13. As indicated in paragraph 22 of the report, increased requirements of $43.0 million relate to inflationary pressure driven largely by increases in local energy prices and utilities. The Advisory Committee points out that global and local markets have recently shown significant reductions in energy costs.

14. The Advisory Committee notes that no adjustment is proposed in connection with decisions of policymaking organs. As indicated in paragraph 13 of the report, the requirements arising from General Assembly resolutions 56/270 and 60/248 on the construction of additional office facilities at the Economic Commission for Africa and the related utilization of commitment authority in the amount of $1,936,400 gross would be reflected in the second performance report for the biennium 2008-2009.

15. **The Advisory Committee recommends that the General Assembly approve the revised estimates contained in the report of the Secretary-General, subject to such adjustments as may be necessary as a result of its consideration of matters now before the Assembly, including the consolidated statement of revised estimates and programme budget implications (see para. 7 above).**

Annex I

Modalities and criteria for the use of the limited discretion of the Secretary-General for budgetary implementation authorized in General Assembly resolution 60/283

1. In general, the modalities for the use of limited discretion address the issues of (a) accountability, transparency and reporting; and (b) the criteria for the discretion, as set out below.

Accountability, transparency and reporting

2. In accordance with the request of the General Assembly for full accountability and transparency, clear records of requests made and reporting on the application of flexibility will be necessary.

3. In this connection, as is currently the process followed for actions taken under the provisions of General Assembly resolutions on unforeseen and extraordinary expenses, requests under the budget flexibility authorization mirror those procedures. That is:

(a) Requests would be submitted to the Executive Office of the Secretary-General (and, as it deems necessary, to the Management Policy Committee) for overarching policy consideration and approval in principle. Such requests would address the criteria detailed below;

(b) Detailed resource requests would be submitted to the Assistant Secretary-General for Programme Planning, Budget and Accounts, Controller, for review following established budgetary procedures to ensure the availability of funding and to facilitate the preparation of relevant letters for the approval of the Secretary-General on the use of the funds and the application of flexibility;

(c) Full reports on the implementation of flexibility would be submitted to the General Assembly in the context of the first and second performance reports.

Criteria for application of discretion (what constitutes "evolving needs of the Organization"?)

4. Proposals for the use of budgetary discretion should be formulated taking into account the criteria set out below. The proposals should clearly indicate the resource requirements and whether such requirements are of a one-time nature (specific to the present biennium) or a continuing nature, which would carry over into the next biennium. Requirements of a continuing nature will need to be addressed through inclusion in budget proposals for subsequent periods. It should be noted that in determining what may be an evolving need of the Organization for which funding is to be made available, the Secretary-General shall not use his limited discretion in pursuance of General Assembly resolutions calling for the implementation of decisions "within existing resources" (see Assembly resolution 60/283, sect. III, para. 8 (e)). The criteria are as follows:

(a) Proposals should be mandated and justified and should effectively promote the strategic priorities of the Organization;

(b) Proposals should address a requirement that has evolved since the submission and adoption of the programme budget and that is based on, inter alia, new developments and approaches or strategies for achieving mandated objectives;

(c) The status of overall resources already available and allotted at the programme level should be ascertained. Is the proposal more appropriately funded under extrabudgetary or other funding sources? Would it be more appropriately funded under provisions for unforeseen and extraordinary expenses for peace and security?

Annex II

Level of the contingency fund for the biennium 2008-2009

(Thousands of United States dollars)

Amount approved by the General Assembly in its resolution 61/254	**31 460.5**
Charges approved at the main part of the sixty-second session, as reflected in A/C.5/62/22	*Balance*
Report of the Human Rights Council (A/C.5/62/12 and A/62/7/Add.26)	3 988.8
Convention on the Elimination of All Forms of Discrimination against Women (A/C.5/62/15 and A/62/7/Add.21)	10 722.9
United Nations Regional Centre for Peace and Disarmament in Africa (A/C.5/62/10 and A/62/7/Add.17)	342.4
Implementation of the United Nations Platform for Space-based Information for Disaster Management and Emergency Response (A/C.5/62/14 and A/62/7/Add.22)	604.0
Oceans and the law of the sea (A/C.5/62/16 and A/62/7/Add.27)	1 962.1
New Partnership for Africa's Development: modalities, format and organization of the high-level meeting on Africa's development needs (A/C.5/62/20 and A/62/7/Add.24)	86.0
Administrative and financial implications arising from the report of the United Nations Joint Staff Pension Board (A/C.5/62/2 and A/62/7/Add.13)	748.2
Revised estimates relating to the implementation of decisions of the Human Rights Council (A/62/125 and A/62/7/Add.25)	765.1
Subtotal	**19 269.5**
Balance after the main part of the sixty-second session	**12 191.0**

Sixty-third session proposals	*Amount*[a]
Revised estimates, rule of law (A/63/154, resolution 62/70)	953.8
Towards an arms trade treaty: establishing common international standards for the import, export and transfer of conventional arms (A/C.5/63/10)	1 225.0
Statement of programme budget implications: Implementation of the Brussels Programme of Action for the Least Developed Countries for the Decade 2001-2010: pending consideration by the Second Committee of draft resolution A/C.2/63/L.57	437.1
Statement of programme budget implications: Global efforts for the total elimination of racism, racial discrimination, xenophobia and related intolerance and the comprehensive implementation of and follow-up to the Durban Declaration and Programme of Action (A/C.3/63/L.51/Rev.1, A/C.5/63/17)	570.4
Statement of programme budget implications: International Convention on the Elimination of All Forms of Racial Discrimination (A/C.3/63/L.53/Rev.1, A/C.5/63/14)	379.9
Statement of programme budget implications: Rights of the child (A/C.3/63/L.16/Rev.1, A/C.5/63/16)	1 965.5
Revised estimates: Committee on the Rights of the Child (A/C.3/63/L.46/Rev.1, A/C.5/63/13)	513.1

Sixty-third session proposals	*Amount*[a]
Resolutions and decisions adopted by the Human Rights Council following its continuing review of its subsidiary machinery and its related statement of programme budget implications: consolidated statement	1 733.1
Revised estimates resulting from the entry into force of the Convention on the Rights of Persons with Disabilities and the Optional Protocol thereto	971.6
Statement of programme budget implications: The world financial and economic crisis and its consequences[b]	—
Subtotal	**8 749.5**
Balance after the main part of the sixty-third session	**3 441.5**

[a] Net of staff assessment.

[b] A detailed statement of programme budget implications will be submitted to the General Assembly for its consideration during the current session as soon as specific information on the format and modalities of the summit and the high-level meeting is available.

Annex III

Information on the African Union-United Nations Panel established pursuant to Security Council resolution 1809 (2008) and the Special Envoy of the Secretary-General for the Great Lakes region

A. Current status of the timeline of the work of the African Union-United Nations Panel established pursuant to Security Council resolution 1809 (2008)

1. The African Union-United Nations Panel will submit its report and findings to the Secretary-General in late December 2008, after which the Secretary-General will decide when to present the report to the Security Council (currently estimated to be in early 2009). The Panel will cease to exist as soon as the report is submitted to the Secretary-General. There is, however, a possibility that the Chairman of the Panel will be required to be present to introduce the report to the Security Council, although this has not yet been established.

B. Information on the activities of the Special Envoy of the Secretary-General for eastern Democratic Republic of the Congo/the Great Lakes region

2. In a letter dated 3 November 2008 from the Secretary-General to the President of the Security Council (S/2008/684), the Secretary-General informed the Council of his decision to appoint Olusegun Obasanjo, former President of Nigeria, as his Special Envoy for eastern Democratic Republic of the Congo. In a letter dated 5 November 2008 from the President of the Security Council to the Secretary-General, the members of the Security Council took note of the decision of the Secretary-General (S/2008/685). Subsequently, the Secretary-General, in consultation with the Under-Secretary-General of the Department of Peacekeeping Operations and the Under-Secretary-General/Assistant Secretary-General of the Department of Political Affairs, decided to change the title to the Special Envoy for the Great Lakes region. The remit of the Special Envoy should reach beyond the Democratic Republic of the Congo and embrace the regional dimensions of the crisis. It should also deal with the linkages between the activities of rebel movements of the eastern Democratic Republic of the Congo and the global security in the Great Lakes region. There was also a need to draw a clear distinction between functions of the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC) and the Special Representative of the Secretary-General for MONUC, whose mandate is focused more on the situation in the Democratic Republic of the Congo and is more operational.

3. In its resolution 1843 (2008) of 20 November 2008, the Security Council welcomed the appointment of former Nigerian President Olusegun Obasanjo, as the Special Envoy of the Secretary-General for the Great Lakes region.

4. Since his appointment, the Special Envoy has been deeply engaged in consultations with the parties concerned. The requirements of his office, prior to

issuance of the first performance report for the biennium 2008-2009, are still being defined and are under discussion.

5. Currently, the Special Envoy, whose appointment is on a when-actually-employed basis, has yet to be remunerated for his activities, and operational requirements to date are being funded from extrabudgetary resources. Once the requirements have been defined, related funding will be sought under established procedures in accordance with the provisions of General Assembly resolution 62/239 on unforeseen and extraordinary expenses for the biennium 2008-2009. These requirements will be reported in the context of the second performance report for the biennium 2008-2009.

Annex IV

Information on adjustments in the level of appropriations

A. Recosting methodology

1. In paragraph 11 of its resolution 58/270, the General Assembly requested the Board of Auditors, in consultation with the Secretary-General, to examine the recosting methodology and to report thereon to the Assembly at its fifty-ninth session. Accordingly, the Board of Auditors conducted a review of recosting in 2004 and reported in the context of its report on the financial reports and audited financial statements for the biennium 2002-2003 (A/59/5 (Vol. I), chap. II.C). Recosting is the revision process whereby adjustments in the level of appropriations are made as a result of variations in operational rates of exchange, actual inflation experience, average level changes and vacancy rates previously assumed.

2. The programme budget is recosted four times in the biennial cycle, as follows:

(a) First, the proposed programme budget is presented at the same price levels and rates of exchange as the current programme budget. The rates of exchange used for the future years are those approved for the second year of the current biennium. Inflation provisions are compounded for the future years;

(b) Secondly, the resource requirements in the proposed programme budget are updated before an initial appropriation is approved;

(c) The third stage of the recosting process is reflected in the revised estimates included in the first performance report of the programme budget, which is submitted by the Secretary-General at the end of the first year of the biennium in connection with the revised appropriation;

(d) The fourth step is included in the second performance report, submitted at the end of the second year of the biennium, in connection with approval of the final appropriation.

B. Rates of exchange

3. With regard to currency fluctuations, the United Nations operational rates of exchange are established by the United Nations Treasury on a monthly basis. Projections for annual or biennial periods are based on either the average rate or the spot rate, whichever allows lower estimates for each duty station, as recommended by the Advisory Committee on Administrative and Budgetary Questions in paragraph 5 of its seventh report on the proposed programme budget for the biennium 1996-1997 (A/51/7/Add.6). The average rate is the average of the monthly actual rates, with the latest available rate applied for the remaining months of the year, while the spot is the rate of the latest available month. Both rates are computed on a per-duty-station basis.

4. In the proposed programme budget, the rates are based on the approved rates for second year of the current biennium in the context of the first performance report of the current biennium. In the initial appropriations, either the average or spot rate for each duty station (whichever allows lower estimates) is used for both years of the biennium. In the first performance report, the actual averages are used

in the first year of the biennium while the average or spot rate that yields the lowest estimates is used in the second year. In the final appropriation, the realized rate is used with the latest available applied to the remaining months.

C. Inflation

5. For non-posts items, adjustments are generally based on the latest information available on consumer price indices derived from *The Economist*. When the inflation rate on specific object of expenditure such as utilities cannot be obtained from *The Economist*, information posted on the websites of local bureaux of statistics are used. For certain objects of expenditure (such as honorariums and representation allowance), no inflationary provision is made.

6. In the case of the staff costs, for the Professional category and above, post adjustment multipliers are provided by the International Civil Service Commission (ICSC), while for the General Service and related categories, adjustments reflect cost-of-living adjustments based on prevailing market conditions. Salary surveys are generally conducted for each duty station every four or five years, or as the situation warrants. Adjustments for posts result from differences in actual post adjustment indices for staff in the Professional category and above and actual cost-of-living adjustments of salary scales for staff in the General Service and related categories, compared with the assumptions made previously.

D. Other standards

7. Adjustments to other standard costs take into account actual payroll experience related to salaries and common staff costs. Revisions to standard salary costs are based on the actual averages experienced, by category and level, at each duty station. Common staff costs are budgeted as a percentage of net salaries for each duty station. Expenditures under common staff costs relate to allowances and benefits, appointments, transfers and separation of staff. Recommendations of ICSC with regard to the mobility and hardship scheme, separation payments, hazard pay and the education grant are generally absorbed within these overall adjustments, consistent with established practice in this regard.

E. Vacancy rates

8. Vacancy rates are periodically proposed by the Secretary-General for the approval of the General Assembly. Major considerations in determining vacancy rates are the category type (Professional or General Service) and post status (continuing or new).

9. Accordingly, the first performance report identifies the adjustments in the level of appropriations as a result of variations in costing parameters such as rate of exchange, post adjustment multipliers, cost-of-living adjustments, consumer price index (CPI), average levels, common staff costs and vacancy rates. The adjustments are calculated through four layers of recostings in order to calculate the net effect of each parameter:

(a) Both posts and non-posts are first recosted for currency and inflation. The multipliers and General Service salary increases, reflecting revised currency and inflation assumptions, are applied. Inflation rate for non-posts objects are applied at the local currency level;

(b) Second, the payroll data is updated. Projections are based on the same rates of exchange and inflation applied at the first layer. Posts are then recosted for changes in salary levels;

(c) Third, the common staff costs rate is updated and posts are recosted for the impact of new rate;

(d) Finally, the vacancy rate is updated and posts are recosted for the new vacancy rate.

10. Through these layers of recostings, the impact of each parameter is analysed at the object of expenditure level across all duty stations. The approved rates in the first performance report are carried into the revised appropriation at the end of the budget's first year.

11. The impact on the budget arising from the application of the most recent exchange rates (December rates) of various currencies to the United States dollar, especially the Swiss franc, is also analysed.

12. As mentioned above, in line with the recosting methodology, revision to the rate of exchange would require re-projecting the post adjustment multipliers in order to reflect the corresponding rates of exchange. This would require ICSC to re-project the post adjustment multipliers. On the basis of past experience, the process for formulating the revised multipliers could take an average of approximately two weeks for ICSC to provide the revised rates.

13. Furthermore, as the recosting is formulated through multiple layers, changes in the rates at the first layer would require recosting at each subsequent layer. Therefore, if the exchange rates were to be revised, the overall process of recosting would have to be reformulated. This would require an additional two weeks, provided ICSC conforms to the two-week time frame referred to above.

14. On the basis of the foregoing, it would not be possible to execute a full recost at the present stage and therefore, it would not be possible to provide the precise resource requirements with the application of the most up-to-date rates (December rates).

15. Only on the basis of an indicative technical application of the December rate, estimates would amount to a net decrease of $26.3 million, of which $20.6 million would relate to the Swiss franc. The estimate is based on a manual calculation at the overall level on the impact of the most recent exchange rate (December rate). It must be stressed that this does not reflect the layers of actual recosting described above, nor does it reflect an analysis of what impact would be realized from the other parameters of recosting, namely post adjustment multipliers, as this is not reflective of the established recosting methodology.